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INTERVIEW WITH BRITISH PRIME MINISTER TONY BLAIR AND CALIFORNIA GOVERNOR ARNOLD SCHWARZENEGGER (R) (AS RELEASED BY 10 DOWNING STREET) SUBJECT: CLIMATE CHANGE DATE: TUESDAY, MARCH 13, 2007

Q Here we are. We are in the White Room of Downing Street, we have swapped the studio for Downing Street tonight. The Prime Minister is here, and we are also joined by Governor Schwarzenegger from Sacramento in California on a satellite link.

I am going to start with the Prime Minister. It is great headline stuff, isn't it, to team up with a Hollywood action hero, the Terminator, to take on the great enemy that is climate change. What is in it though practically for Britain and for California?

PRIME MIN. BLAIR: Well I was over in California last year when Governor Schwarzenegger did his ground-breaking Bill in California which was the first time they had set targets for the reduction of greenhouse gas emissions. And for us now we have got the European deal which means very, very bold targets indeed now for reducing greenhouse gas emissions over the next few years, and now we have got a whole raft of measures in the U.K. as well which will allow us both still to keep a leadership position on this issue and also then learn and team up with states like California, after all its economy is about the sixth biggest in the world on its own, to team up with them and try and swap ideas on science and technology and see how we can use our cooperation eventually to get to a global system which is what you need, because we need a deal that has got America, China and India in it as well as ourselves, other European countries and of course California.

Q And Governor, let me ask you the same question. You are leading the way, some would say, in the fight against climate change in California. What is in it for you, the relationship with Prime Minister Tony Blair?

GOV. SCHWARZENEGGER: Well, I think it is very clear that the Prime Minister has been a great inspiration to many, many countries all over the world because I think that he is a pioneer in this in a way because he has had the guts to sign the Kyoto Treaty and to show to the world that you can go and protect the environment and also protect the economy at the same time. When you think about it, they have rolled back in England the greenhouse gas emissions below the 1990 level.

I think it is over 12 percent or 15 percent below the 1990 level and during the same time have the economy improve and increase by 38 percent or so. That is staggering and is really an incredible accomplishment that all of us admire and that is why I wanted to make sure that when Prime Minister Blair came over here last year that I should sit down with him and talk with him several times about how he did it and use him as a source of inspiration in a way and just say to our legislators here, we can do the same thing.

He has proven to us that it can be done and that we can protect both the environment and the economy and so after he left here, he has created enough inspiration here in California that we signed a Bill which is AB32 to roll back our greenhouse gases to the year 1990 level by the year 2020 and then to go beyond that an additional 80 percent of rolling back by the year 2050, so I think that we also formed a partnership where we said, let us do the trade, the cap and trade together, because it is important to trade with other states and also with other countries and the more we can go and form partnerships with countries like England or with other states in the United States, I think the faster we can get this done, and the faster and more effectively we can fight global warming.

Q Well alright, you said that you inspired them, but they have got a lot further. They are legislating already. They are talking about 80 percent by 2050, we are talking about 60 percent, they are doing a lot more. Our legislation is only at the Draft Bill stage, isn't it?

PRIME MIN. BLAIR: Well we have already of course made huge strides forward on meeting our Kyoto targets but yes we have now got to make sure that this Bill is translated into action and do it at a European level as well. And look, the important thing here which is why it is so important that countries link up, is that even if we did everything that we possibly could in Britain, or California did everything that they can in California, in the end the only way to save our environment, because we don't have our own British ecology here, is for the whole of the world to act upon, but the reason why it is important that we have this link up is that the more that we link up in Europe, between Europe and America, we can then take that out and use that as the basis for a global trading system which in the end is the only way, as China and India grow, and China in particular which will grow to an enormous degree, we have got to get them within this system. So the whole purpose of this is to say it is something we tackle together, and we build the alliances necessary to tackle it together.

Q You say the whole world has got to get involved in this. Governor Schwarzenegger in America you can't even persuade your own President to get involved in this. You are a lone voice in many ways in America. You are a Republican, he is a Republican, why can't you persuade him to take a national view of climate change?

GOV. SCHWARZENEGGER: Well in America it works sometimes a little differently because it is such a huge country that a lot of great ideas come from the local level or from a grassroots operation or from the state level. So what we are doing right now in America is we are forming partnerships, like for instance the western states, New Mexico, Arizona, Washington and Oregon just formed a partnership with California. We also formed partnerships with the north-eastern states, with 11 states, so there are all kinds of partnerships that are being created and also with Provinces in Canada, so I think that we are doing really well and I totally agree with what Prime Minister Blair said that the more we reach out and the more we form partnerships the faster we can get this done, because the important thing for us is now to show that we have done it and that the economies are booming, in England for instance or in California and that other countries should take that as an inspiration and do the same thing. Because remember with the pollution, you know, it affects all of us.

It is not just pollution that for instance is being emitted from China, that comes over to California. 30 percent of the pollution that we have here is from China, so it has an effect globally. That is why we all have to work together and reach out and do that and also, at the same time, to fight global warming which is very, very important because inaction in the end will cost us hundreds of billions of dollars, so it is better to create the action and I think that Prime Minister Blair in that case is the action hero because he is inspiring the world the way he is going about it.

Q He'll like that, action hero. But let me just talk about targets for a second. Prime Minister, it is one thing of course to set targets, it is quite another to reach them. The European decision last week was setting a target, which the Czech Republic, Poland and other countries said was hopelessly ambitious in some areas.

PRIME MIN. BLAIR: You are absolutely right. You have got to follow through, but you see we can do, particularly when you say to business and industry, look this is the direction we are going. You give them a big incentive to develop the science and the technology and again this is where countries like Britain and states like California can link up and in Britain now we have hundreds of thousands of jobs in environmental technology. I mean we could - and California is in the same position - become world leaders in this type of technology for the future.

Q Some people might say it might cost us jobs. We might lose competitiveness.

PRIME MIN. BLAIR: But the interesting thing is when you look at the long term costs of this, if we don't take action the costs are going to be devastating for our economy and for our world. So it is about partnership, it is about getting a system which incentivizes the science and technology, and then it is about obviously having that political leadership and I think the interesting thing about what Governor Schwarzenegger is doing in California is that that is allowing then California to link up with other US states as he was saying and with people in Canada as well, and after a time what you start to get is a critical mass behind this in the international community that allows us to construct the system that will work best for the future. If we don't do this we are going to pay a very heavy price indeed and ironically the poorest countries in the world will actually pay the heaviest price, but even countries like our own, our economies will suffer.

So, we have to take this action now and the best way to do it is to set the ambitious goals and targets and then, as I say, set a framework within which business and industry and all of us can play our part.

Q Governor, you legislated some 6 months ago I think. How has industry reacted to that legislation? After all I suppose if it is a state-wide thing and another state is not doing it they could just up sticks and move to another state if they are not happy. Are you finding that business is angry about what you are doing or buying into it?

GOV. SCHWARZENEGGER: Well first of all I think what you just said is correct that there is always the fear that companies can pack up and just go to another state and this is why it is important that you form the regional partnerships, so that all the states around us are going to do the same thing. Number two, I think that companies feel very comfortable because the way we went about it, we were very inclusive and we brought them in right from the beginning. And in the end we did the Bill signing and we had a big celebration including just last January when I signed an executive order for the new carbon fuel standards, we had executives of oil companies, car manufacturers and environmentalists all sitting together applauding, smiling and feeling great and part of the celebration.

So that is the way that you do it. You bring everyone together, you convince them that this is the right way to go, and you convince also the companies that you can make much more money if you go clean. I think the Prime Minister has called this the new Green Industrial Revolution. I think that is what it is because of the unbelievable businesses that are springing up left and right, that are creating new jobs because they are working on the technology to produce all of this, producing clean cars, producing and making garbage into energy and producing solar panels that will heat and cool a million homes around California. So we have passed all kinds of interesting legislation like that. But everyone is on board and everyone is working together on this.

Q OK. Just very quickly on that, Prime Minister. I suppose businesses could say why are we being punished to an extent by being first in this. You are leading the way, we are going to be first, we have got to bear the brunt?

PRIME MIN. BLAIR: I think we did worry about this at first. We also introduced the climate change levy which was an issue for a lot of business, but actually what has happened in the past few years is that business has got behind this, seized an opportunity, and also business wants to be part of a responsible society as well and I think that businesses are now really coming behind this, and I find some of the pressure coming on us is now from business itself saying we want some certainty about the direction, we want to start putting our research budgets into developing the science and technology, help us by creating the right framework, and when we are doing this across Europe and then linking up with people across the world, it also helps give them a sense that they are actually part of the future for their own business.

Q The Prime Minister mentioned political leadership just now, Governor. The whole issue of sort of personal responsibility and taking a lead on climate change is a difficult one politically isn't it. I gather you are still driving around in your Hummer, is that right?

GOV. SCHWARZENEGGER: (Chuckles.) I am driving around with a CHP because all my vehicles are kind of stored but since you mention the Hummer, I should say that one of my Hummers has been turned into a hydrogen

Hummer and that of course emits no greenhouse gases at all and the other Hummer has been turned into a bio-fuel Hummer and that one now emits 40-50 percent less greenhouse gases so I think these are the kinds of initiative that each individual can take because the technology is available to do that now and I think that we have to be leaders in that and I think you are absolutely correct also when you say that it is a daring thing to do, and a risky thing to do but I always say that political courage does not always mean political suicide.

Q Alright, you have got bio-fuels in your Hummer. Have you got bio-fuels in your 4 x 4s that you are driving around in at the moment? Or have you got a Hummer?

PRIME MIN. BLAIR: Well I don't but as a matter of fact we do an immense amount here. The room we are in has got energy-efficient light bulbs, we get our sources from renewable energy here in Downing Street, we measure our own carbon off-set on travel now and actually a lot of the government cars are on the new environmentally beneficial fuel as well.

Q You aren't going to give up your foreign holiday though are you?

PRIME MIN. BLAIR: Look, to be frank, no, I am not and I think that one of the important things about this debate is to say to people there is a way that we can be responsible members of society but without trying to get to the stage where you say to people in Europe that you must never travel or take the aeroplane. That is not going to happen. What can happen, however, is that aviation comes within the European Emissions Trading System and over time therefore we make a real difference to the way that aviation works. But I have been a believer right from the very beginning in this that we can show that it is possible to be Green and grow, and we have done this here in the U.K.. But it is also possible to enjoy life and be environmentally responsible and I think if we get that balance right we can persuade the public, but if we get it wrong then as the Governor was saying political courage becomes somewhat suicidal.

Q Governor, let me just ask you, how are your Hydrogen Highways coming on? Are you looking seriously to develop those?

GOV. SCHWARZENEGGER: Well I think that they were one of the first things that I did when I became Governor, we started creating the Hydrogen Highway which means that we are building more and more fuelling stations on our highways and eventually there will 200 by the year 2010 and we are now having again regional agreements with Oregon and with Washington and with states up north even higher, going all the way up to Alaska so we can eventually build a 5,000 mile highway, a Hydrogen Highway, so that people can directly go all the way from Mexico all the way up to Alaska and find fuelling stations and eventually we will have a fuelling station every 20 miles here in California.

So we are doing very well with that and I think that we all know that hydrogen fuel emits no greenhouse gases and that is the way to go even though we are also going towards bio-fuels and ethanol, and batteries, electric cars and so on. But I think we are trying every angle, and there are so many different ways we are going in to protect the environment. Anyway there are so many ways of protecting the environment and we are working on all those different angles here.

Q OK. Just finally, Prime Minister, are we thinking of Hydrogen Highways? Is that on your plan, hydrogen motorways?

PRIME MIN. BLAIR: We have got a different situation with a smaller country here than with the US. But actually the important thing is that there will be all sorts of different ways that people get to the same goal and the important thing is not to end up with some sort of state solution that applies the same to all countries in different situations or all people in different situations.

The important thing is to end up with a system that incentivizes everyone to find the best way for them to make a critical difference and you know when Governor Schwarzenegger began this process in California I think a lot of people thought well this is a very big step for anyone in the US to take, but actually I think people have got behind it

and that should in fact give all of us a bit of hope and courage in the fact that this is where in my view the public are already ahead of the political leaders and we should, whilst not being foolish about it, we should be doing what we can to create the right set of incentives, the right framework within which ultimately there is within this global community that is beset by a global problem, namely global warming, that we take the right measures that reduce its effect.

Q And a final one to you, Governor. You are not a man who likes to lose fights. Is this a battle that we can win or are we doing too little, too late, do you think?

GOV. SCHWARZENEGGER: No, I am an optimist as you know and think what is going on right now is just at the right time. I think that we have all learned in the last 150 years in our industrial revolution that we have created unbelievable pollution and a big problem in global warming. Now is the time for us, since we know now that that is the problem and that we have done this that we can do something about it, and row back the greenhouse gas emissions and row back the clock and that is what our challenge is. And I think the more we talk about that, the more that we have TV programs like this one, the more that we have leaders like Tony Blair talking about these issues, and going around the world talking about it, the faster it will happen. I would like to congratulate the Prime Minister for making the big announcement about reducing greenhouse gas emissions by an additional 60 percent in England below the 1990 level, so this is a huge, huge announcement.

Q Alright. Governor Schwarzenegger and Prime Minister, thank you very much indeed.

PRIME MIN. BLAIR: Thanks Arnold. Thanks very much indeed. Look forward to seeing you soon. All the best.

GOV. SCHWARZENEGGER: Thank you very much Prime Minister. My pleasure. Thank you.

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